

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cedillo Analyst: Roger Lackey Bill Number: AB 1992

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 08-25-2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: FTB Disclosure Of Tax Information to Charter Cities Within Agreement

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended August 8, 2000.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED August 8, 2000, STILL APPLIES.
- ☐ OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Tax Laws (AFITL), this bill would permit the Franchise Tax Board (FTB) to disclose certain specified income tax information to tax officials of cities. Disclosure would have to be made under a written agreement and would be limited to information regarding taxpayers both with an address on record with FTB within the city and with income from a trade or business reported to the FTB. The information that could be provided is a taxpayer's name, address, social security or taxpayer identification number, and business activity code. Use of the information would be limited to employees of the taxing authority of a city.

SUMMARY OF AMENDMENT

The August 25, 2000, amendments revised the language allowing the FTB to recover its costs of providing tax information to tax officials of any city. Before the FTB would furnish any information under this bill, the following would have to occur:

- ?? an agreement would have to be executed with the city providing the city would pay all first year costs necessary for the FTB to furnish the city the proper information;
- ?? an agreement would have to be executed that would provide that the city would reimburse the FTB for the annual costs thereafter; and
- ?? the FTB would have to receive an amount equal to the first year costs.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input checked="" type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

9/14/00

The August 18, 2000, amendments expanded the bill to include all cities within the state rather than only charter cities. The amendments also specified that the unauthorized disclosure and the willful disclosure of information provided for in this bill would be considered a misdemeanor.

As a result of the August 25, 2000, amendments, two of the implementation considerations provided in the department's analysis of the bill as amended August 8, 2000, have been resolved. The remaining implementation considerations and the departmental costs have been included below.

Implementation Considerations

This bill would allow the department to share certain information, including business activity codes, with cities. A large number of the business activity codes used by the department are obtained from Internal Revenue Service (IRS) data shared with the department. Federal law and IRS policy require that information obtained from the IRS by the department not be disclosed or used in any manner not authorized. Currently, the department is authorized to use information obtained from the IRS to resolve state income tax issues. If the department uses the business activity codes or other information received from the IRS to select and gather information that is then to be reported to a contracting city under the provisions of this bill, the department would exceed its authority to use IRS information. Consequently, reporting this information to a contracting city would likely be interpreted by IRS as an unauthorized use of IRS information, and thus would be a violation of both federal law and the terms of FTB's agreement with IRS.

Current departmental systems do not have the ability to provide the information necessary to comply with the provisions of this bill without using federal data. To comply with the bill, the department would have to create a new database and processes to capture the information that could be reported to a contracting city without violating the disclosure limitations contained in the current FTB-IRS information sharing agreement. Without the new database and processes, the department would not be able to provide the information to a contracting city. In addition, the department would have no other use for the database and processes beyond reporting the information to contracting cities.

Departmental Costs

Since the department's current programs do not capture the necessary data to comply with this bill, and the department cannot use the federal information currently received for the reasons stated under "Implementation Considerations," the department would need to develop new processes. To comply with this bill, the department would revise the Schedule CA (California Adjustment Schedule) and the instructions thereto to include a business activity code. Department staff would scan the Schedule CA and key the business activity code into a database where the information would be retained for future reporting to contracting cities.

The department would incur significant costs related to creating the requisite new processes, additional employee hours, and purchasing equipment. In the year of implementation, it is estimated that departmental costs would be approximately **\$2 million** to cover an expected **29 personnel years (PYs)**. For the year following implementation, the departmental costs would be **\$849,172** to cover an expected **25.5 PYs**.

BOARD POSITION

No position. At its July 5, 2000, meeting, the Franchise Tax Board agreed to take no position on this bill.